Basic Concepts of Investing

Investments can help you realize your financial dreams

It's more important than ever to make smart investment decisions and understand the forces that affect investment performance. You may ask yourself: "Why should I consider investments instead of just depositing my money in the bank?" The answer: Savings accounts are particularly vulnerable to the "silent thieves" that impact your ability to save for your long-term financial security.

The "silent thieves"

- **Inflation**
  Although the U.S. has experienced relatively low inflation over the past several years, a gradual increase in the cost of goods and services can erode your purchasing power over time. Today's dollar simply won't buy the same goods and services in the future.

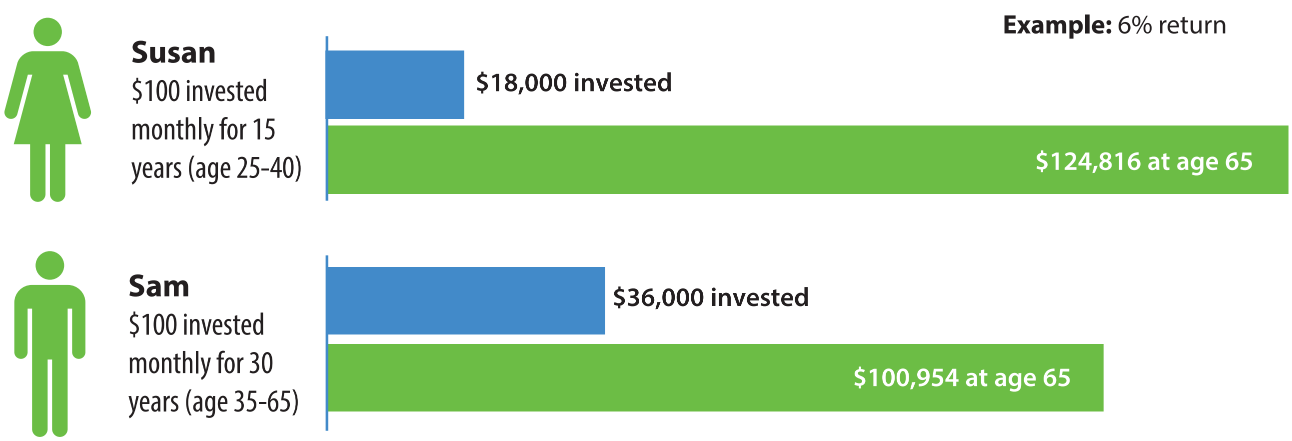
- **Taxes**
  No one likes to pay taxes — especially when you work so hard for your money. Taxes essentially reduce the rate of return on your investments. The higher your tax bracket or the higher the inflation rate, the greater the impact on your real rate of return and the more you'll need to consider tax-free or tax-deferred investment alternatives.

Investment concepts to overcome "the silent thieves"

- **Compounding**
  The longer you invest, the longer your money has to grow and compound. The power of compounding is the single most important reason for starting to invest right now.

- **Dollar-cost averaging**
  Dollar-cost averaging can help boost your purchasing power. Each month (or pay period), you contribute a specific but equal dollar amount to your investment program to purchase mutual fund shares. As market prices fluctuate, you will end up buying more shares when prices are lower and less when they are higher; in essence, effectively lowering your overall cost of shares.

The sooner you begin, the more your money grows.



The chart is for illustration purposes only and should not be considered a projection of potential returns on any particular investment. All withdrawals are subject to federal income tax in the year they are withdrawn. A penalty tax may be imposed for early withdrawals.

continued

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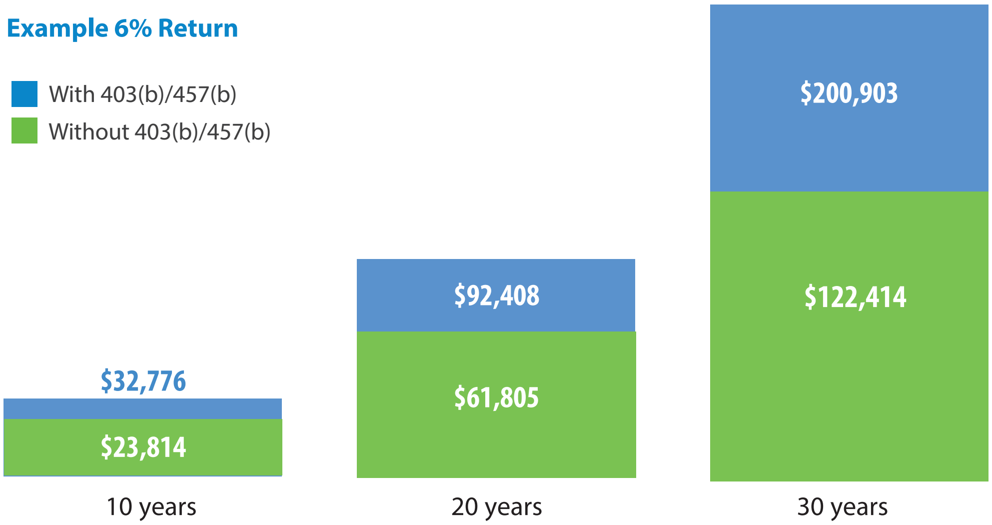
- **Tax-deferred investments**
  Even though compounding and dollar-cost averaging can help overcome the "silent thieves," taxes will still take a big chunk out of your total return. If you qualify, you can lessen the effect by investing in a tax-deferred retirement account such as a 401(k), 403(b) or 457(b) plan, as well as IRAs and Roth IRAs. The contributions you make to these plans, and their earnings, grow and compound tax-deferred until you make withdrawals upon your retirement. Here's how tax deferral can help increase your savings:

Tax-deferred growth



Investment earnings (interest, dividends and capital gains) are not taxed until withdrawn. The bar graphs above assume monthly savings of $200, a 22% tax rate and 6% annual growth. For illustration purposes only. Not a projection of potential returns on any particular investment. 403(b)/457(b) projections are not reduced by future taxes. The illustration uses constant rates of return, unlike an actual investment, which will fluctuate in price. It does not include fees or taxes, which would lower performance.

Work with a trusted advisor to achieve your long-term goals

You work hard for your money - why not let your money work for you? Every day your dollars are invested is a day your money is working to help build a more financially secure future. Your Lincoln Investment financial professional can provide valuable assistance in helping you make well-informed investment decisions about the investment products and services most appropriate for your situation and needs.

A plan of regular investing does not assure a profit or protect against loss in a declining market. You should consider your financial ability to continue your purchase through periods of fluctuating price levels. The illustration uses constant rates of return, unlike an actual investment, which will fluctuate in price. It does not include fees or taxes, which would lower performance. Projections or other information regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

Inflation is the rise in the prices of goods and services, as happens when spending increases relative to the supply of goods on the market. There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. Investing involves risks including possible loss of principal. None of the information in this document should be considered as tax advice. You should consult your tax advisor for information concerning your individual situation.

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